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## Social dimensions of the New Partnership for Africa's Development

### Report of the Secretary-General

*Summary*

In its resolution 2009/20, the Economic and Social Council requested the Secretary-General to submit a report on the social dimensions of the New Partnership for Africa's Development (NEPAD), to be presented for consideration during the forty-eighth session of the Commission for Social Development, while also taking into consideration General Assembly resolution 62/179, entitled "New Partnership for Africa's Development: progress in implementation and international support". The present report reviews the state of progress in the implementation of NEPAD as well as its social dimensions within the context of the converging global food and energy crises, the financial and economic crisis and climate change.

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# I. Introduction

1. The New Partnership for Africa's Development (NEPAD) arose from the formal adoption of a strategic framework for the socio-economic development of Africa at the thirty-seventh Summit of the Organization for African Unity in July 2001, as a programme of that organization. NEPAD represents a common vision of African leaders and their firm conviction that they have a pressing duty to eradicate poverty and to place their countries on a path of sustainable growth and development, and at the same time to participate actively in the world economy.

2. NEPAD has been instrumental in identifying the region's key development priorities. It has also transformed the nature of the dialogue with Africa's development partners in both the developed and developing regions. This has led to the fostering of a sustainable development discourse that is based on mutual respect and accountability, close cooperation in the financing and implementation of major development projects and the addressing of new and emerging global challenges such as climate change, the food and energy crises and the global financial and economic crisis.

3. To promote implementation, an African Union/NEPAD African action plan was conceived in 2005-2006 and revised in 2009 by the African Union, the African Development Bank (AfDB) and the Economic Commission for Africa (ECA). The key priorities of this plan include infrastructure; agriculture and food security; human resource development; science and technology; trade, industry, market access and private sector development; environment, climate change and tourism; governance and public administration; peace and security; and gender development.

4. By promoting investments in these priority areas, NEPAD aims to build African societies that are politically, economically and socially robust and inclusive and that also protect the environment. Investing in these areas offers African countries renewed hope and the opportunity to focus on the multidimensional needs of people living in poverty, particularly women and children, youth, older persons, persons with disabilities, migrants and other socially disadvantaged groups.

5. Furthermore, NEPAD offers countries the opportunity to adopt and implement multisectoral policies that can enhance the voice, participation and empowerment of all members of society. These policies include increasing access to quality schools and affordable primary health care, essential agricultural inputs such as seeds and fertilizers, water and sanitation, better roads and participation in local and national policymaking processes. In a broad sense, NEPAD provides a stronger foundation for poverty eradication and sustainable growth and development in Africa.

6. Since its inception in 2001, there has been visible progress in implementing NEPAD by both African Governments and their development partners. Progress has been made to strengthen regional integration efforts and boost the participation of Africa in the global economy. Efforts to improve governance have also gained steam. To complement these regional efforts, the international community has increased aid flows to Africa. According to preliminary estimates from the Organization for Economic Cooperation and Development (OECD), aid to Africa totalled $26 billion in 2008, of which $22.5 billion went to sub-Saharan Africa.

7. These regional and international efforts are still not enough, however, to comprehensively address the continent's development challenges, including the goal

of achieving the Millennium Development Goal targets by 2015. Although African economies grew at close to 5 per cent over the past few years, this level of growth is still not high enough. More importantly, recent estimates point to sharp declines in economic performance among African economies as a result of the global financial and economic crisis. Declining growth has likely, but not unavoidable, negative implications for progress in social development given the constraints it will impose on the fiscal space of countries (see E/ECA/COE/28/6).

8. The present report examines progress in implementing the social dimensions of NEPAD and assesses the impact on social development of the converging global crises that have affected both developed and developing countries. These include the food and energy crises of 2007-2008, the current global financial and economic crisis and ongoing climate change.

## II. Progress in promoting good governance and its social dimensions

9. NEPAD has set African countries on a quest for democracy and good governance. There is growing consensus in the region that sustainable human development is impossible under conditions of poor governance, corruption, persistent civil conflict or war.

10. By recognizing that peace, security and better governance are necessary for development, African States have committed themselves through NEPAD's African Peer Review Mechanism process, to strive for a culture of good governance and foster inclusive participation of the broad African citizenry in governance. Early results from these endeavours are encouraging.

11. As part of its support to NEPAD, ECA tracks the progress being made in this area through the publication of the *African Governance Report*. In its latest issue, ECA notes that Africa has made modest progress in improving political and economic governance.[1] Positive developments have occurred in areas such as peace and security, economic growth and improvements in the living standards of African people. Progressive gains have also been made in economic governance, public sector management, corporate governance and private sector development. Today's African economies are therefore better managed, with revenue mobilization, tax collection and budgetary management systems being strengthened.

12. In the area of peace and security, the number of African countries experiencing violent conflicts declined from about 14 during the 1990s to 7 in 2006.[2] This decline has been welcome news for a continent where development aspirations have on too many occasions been derailed by protracted and vicious civil conflicts and wars. Countries emerging from conflict situations, such as Liberia, Rwanda and Sierra Leone, and their neighbours are consolidating the peace dividend, restoring

[1] See Economic Commission for Africa, *African Governance Report 2009*, 2nd ed. (Oxford, Oxford University Press, 2009).

[2] African Development Bank, *African Development Report 2008/2009; Conflict Resolution, Peace and Reconstruction in Africa* (Oxford, Oxford University Press, 2008).

governance structures and rebuilding public and private institutions that are essential in supporting development priorities.[3]

13. The 2009 *African Governance Report* also notes, however, that, within the past five years, African countries have recorded marginal progress on political governance. Although a number of Governments have made strides in enhancing political representation and competitive electoral politics, human rights and the rule of law, progress is still lacking in political party and electoral systems. To bolster the confidence of the people in the electoral process, Governments need to continue working to improve electoral processes. Gains in this area will also have positive incidental benefits in the social and economic spheres. One way to accomplish this would be to share national experiences and best practices through the African Peer Review Mechanism process. As at July 2009, 30 countries had acceded to the Mechanism,[4] 12 countries had been peer reviewed and 16 other countries had launched the process by receiving support missions.

# III. Progress in the social sectors

## A. Poverty and hunger

14. According to recent World Bank estimates, the number of people living on less than $1.25 a day in sub-Saharan Africa increased from 202 million in 1981 to 384 million in 2005. In relative terms, the percentage of people living below the poverty line hardly changed. It was 50.8 per cent in 1981 and 50.4 per cent in 2005. In contrast, absolute poverty fell globally, from 1.9 billion people in 1981 to 1.4 billion in 2005. Absolute poverty also fell in North Africa, from 8.8 million to 4.0 million people during the same period.[5] In relative terms, poverty declined from 9.7 per cent to 2.7 per cent.

15. Although the absolute number of people living in extreme poverty in sub-Saharan Africa has gone up, this subregional trend disguises large differences among countries. For instance, the percentage of people living below the $1.25 a day poverty line in 1981 varied from a low of 3.6 per cent in Gabon to a high of 89.9 per cent in Swaziland. In 2005, this pattern persisted, with extreme poverty remaining low in Gabon (4.8 per cent) but ranging to a high of 86.1 per cent in Liberia. Such wide differences among countries underscore the need to tackle extreme poverty through channels that recognize and address the specific needs of each country.

16. The increase in the number of people living below the poverty line in sub-Saharan Africa is primarily a result of the failure to achieve sustained and rapid economic growth and productive job creation. Efforts to reduce the number of people living in poverty have been undermined by the failure of many countries to

[3] United Nations Development Programme (UNDP), *Bureau for Crisis Prevention and Recovery: Annual Report 2008* (New York, 2009).

[4] These countries are Algeria, Angola, Benin, Burkina Faso, Cameroon, Cape Verde, the Congo, Djibouti, Egypt, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mali, Mauritania, Mauritius, Mozambique, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, the Sudan, the United Republic of Tanzania, Togo, Uganda and Zambia.

[5] World Bank, PovCalNet, online database available from http://iresearch.worldbank.org (accessed 12 October 2009).

fundamentally change the structure of their economies and aggressively address worsening inequalities. Although resource-rich countries benefited from the recent boom in commodity prices and have gone on to record some of the highest economic performances in the world, these high rates of growth have not been accompanied by major declines in levels of poverty. For instance, the percentage of people living on less than $1.25 a day in Nigeria jumped from 47.2 per cent in 1981 to 62.4 per cent in 2005. Hence, the goal of halving extreme poverty by 2015 will continue to be a major challenge across the region and will require sustained political leadership and resource commitment.

17. As regards hunger, the region has made some progress. In 2007 there were 236 million people who were chronically hungry. Overall, the proportion of people suffering from chronic hunger declined from 34 to 30 per cent between 1995-1997 and 2003-2005.[6] The steepest reductions occurred in Ghana, the Congo, Nigeria, Mozambique and Malawi. Nevertheless, recent estimates by the Food and Agriculture Organization of the United Nations (FAO) indicate that the number of food-insecure people in sub-Saharan Africa is projected to increase by 6 per cent as a result of the recent food and energy crises and the current global financial and economic crisis.[7]

18. To tackle the poverty challenge within the NEPAD framework, most Governments have launched broad anti-poverty strategies and have mainstreamed anti-poverty initiatives into the planning and implementation of programmes and budget processes. Furthermore, several African Peer Review Mechanism country review reports[8] point out that the implementation of sound macroeconomic policies and a move towards rule-based institutions and participatory forms of government are yielding some positive results in the fight against poverty. These country reports also reveal, however, that efforts aimed at strengthening macroeconomic policies and rule-based institutions have been too modest and are therefore not putting a major dent in the continent's widespread poverty.

## B. Education and health

19. To bridge the education gap between Africa and the rest of the world, as well as to achieve universal primary education, expand access to secondary education and close the gender gap in education within African Union member States, NEPAD's human resource development initiative has made some notable progress, with the support of international donor partners, the United Nations system and other multilateral institutions, with regard to school enrolment and retention and infrastructure development. According to the United Nations Educational, Scientific and Cultural Organization's (UNESCO) *Education for All Global Monitoring Report 2009*,[9] sub-Saharan African countries spend, on average, about 4.4 per cent of their

[6] Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2008: High Food Prices and Food Security: Threats and Opportunities* (Rome, 2008).

[7] Food and Agriculture Organization of the United Nations, *The State of Food Insecurity in the World 2009: Economic crises: impacts and lessons learned* (Rome, 2009).

[8] African Peer Review Mechanism country review reports are available for the following countries: Algeria, Benin, Ghana, Kenya, Rwanda, South Africa and Uganda.

[9] United Nations Educational, Scientific and Cultural Organization, *Education for All Global Monitoring Report 2009: Overcoming Inequality: Why Governance Matters* (Oxford, Oxford University Press, 2009), pp. 368-370.

gross national product (GNP) on education. Public spending on education as a percentage of GNP increased in several countries, with sharp increases occurring in Ethiopia, Kenya, Mozambique and Senegal.[10] The report also notes, however, that close to half of all low-income African countries spend less than 4 per cent of their national income on education.

20. Overall, rising public expenditure on education is contributing to higher levels of school enrolment for girls and boys, as well as higher literacy rates. According to the 2009 United Nations *Millennium Development Goals Report*,[11] primary enrolment increased by 15 percentage points between 2000 and 2007. Enrolment is only part of the picture, however. Many students drop out before completing their course of study. Two thirds of out-of-school children are not expected to ever enrol in school at all. There is increasing recognition that the quality of education is also a key part of the equation. Schools are chronically underfinanced and understaffed, and many people leave school without basic literacy skills. Trained teachers are in short supply, and UNESCO estimates that 3.8 million teachers will be needed in the region to reach the Millennium Development Goal on education.

21. As regards gender parity in enrolment, progress has also been made. In Northern Africa, gender parity improved from 90 to 94 girls per 100 boys, and, in sub-Saharan Africa, it increased from 85 to 90 girls per 100 boys between 1999 and 2007. Gender parity in secondary enrolment increased from 93 to 98 in Northern Africa but declined from 82 to 79 girls per 100 boys in sub-Saharan Africa. In higher education, girls outnumbered boys by 104 to 100 in Northern Africa in 2007, increasing from 68 in 1999. Sub-Saharan Africa has seen a slight decline in gender parity in higher education, from 69 to 67 girls per 100 boys.[11]

22. Government actions to achieve education for all have resulted in an expansion of primary schools; however, this expansion in universal primary education has put pressure on Governments to expand secondary education and tertiary opportunities. Although African Governments initially sought to expand access to higher education through subsidized public institutions, most Governments have encouraged the establishment of private higher education institutions. As a result of these efforts, there were around 200 public and 468 private higher education institutions in Africa in 2009.[12]

23. In terms of improving access to primary health care, several countries continue to face serious challenges in mobilizing, allocating and managing financial resources in the face of increasing disease burdens. Consequently, weaknesses in the primary health-care system abound, and are reflected in poor health indicators across the region. For instance, life expectancy at birth in the African region is estimated by the World Health Organization to be only 52 years. Half of all maternal deaths still occur in sub-Saharan Africa, and there has been no measurable

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[10] According to the *Education for All Global Monitoring Report 2009*, total public expenditure on education as a percentage of GNP increased from 3.6 to 6.0 in Ethiopia, from 5.4 to 6.9 in Kenya, from 3.5 to 5.0 in Senegal between 1999 and 2006, and from 2.5 to 5.3 in Mozambique between 1999 and 2005.

[11] *Millennium Development Goals Report* (United Nations publication, Sales No. E.09.I.12).

[12] N. V. Varghese, "Private sector as a partner in higher education development in Africa", policy brief prepared by the Association for the Development of Education in Africa, the Working Group on Higher Education, the Association of African Universities (AAU) and the International Institute for Edcuational Planning at the request of AAU (UNESCO, 2009).

improvement since 1990. Child mortality rates remain high, with 145 deaths per 1,000 live births in sub-Saharan Africa. Nearly one out of seven children dies before his or her fifth birthday. Nevertheless, recent surveys indicate that some progress has been made in key interventions relevant for children's health. These include the provision of insecticide-treated bednets to fight malaria, exclusive breastfeeding, immunizations and wider availability of antiretroviral therapy to prevent the spread of HIV from mother to infant.

24. Malaria continues to be a major killer of children in sub-Saharan Africa. Progress has been made, however, as a result of programmes like the Roll Back Malaria Partnership's Global Malaria Action Plan and increasing global funding for key malaria interventions. Funding for malaria interventions increased from $250 million in 2004 to $700 million in 2007. Funding reached close to $1.1 billion in 2008. World leaders continue to commit billions to malaria control efforts as evidenced at the September 2008 High-level Event on the Millennium Development Goals. This increased commitment and action has resulted in dramatic increases in the number of children sleeping under insecticide-treated bednets, from 2 per cent in 2000 to 20 per cent in 2006.[11] In addition, the international community has committed $3 billion to the new African Leaders Malaria Alliance, which was launched during the sixty-fourth session of the General Assembly. To reduce unnecessary malaria deaths, the Alliance aims to distribute more than 240 million insecticide-treated bednets throughout malaria-endemic countries across Africa by the end of 2010.

25. AIDS continues to be an important health priority in Africa. Despite a decline in the number of new HIV infections, from 2.3 million to 1.9 million between 2001 and 2008, sub-Saharan Africa remains the region by far most heavily affected by HIV/AIDS, accounting for 71 per cent of all new HIV infections in 2008. Improved access to antiretroviral therapy has helped to hold deaths resulting from AIDS constant at 1.4 million between 2001 and 2008 and has led to an increase in the number of people living with AIDS, as those infected with the virus live longer.[13]

26. Other areas of health have shown improvement. The percentage of children receiving measles immunization increased from 55 to 73 per cent between 2000 and 2007. Access to improved drinking water sources and sanitation also increased during 1990-2006, with most of the improvements occurring in rural areas.

## IV. Promoting agricultural development

27. African countries continue to face significant challenges in strengthening agriculture for sustainable economic growth, the creation of productive jobs, and food and nutrition security. Some of these challenges are not new and include climate shocks such as droughts and floods, a lack of access to markets, civil conflicts and a lack of capacity to harness new agricultural knowledge and techniques that result in efficient production methods. The social consequences of neglecting agriculture across the region were dramatically highlighted by the food and energy crises of 2007-2008. To compound the situation, the current global economic crisis does not bode well for the agricultural growth prospects of Africa,

[13] Joint United Nations Programme on HIV/AIDS and World Health Organization, *AIDS epidemic update 2009* (Geneva, 2009).

given that many Governments were already operating in an environment of limited public resources.

28. The agricultural sector has for many decades been given low resource allocation priority from both African Governments and the donor community, even during boom times. In most African countries, agriculture accounts for over 25 per cent of gross domestic product (GDP) and 70 per cent of the labour force.[14] Studies have shown that in some countries investments in agriculture have the largest positive effects on growth and poverty reduction (see table 1). The table shows that the relative growth and income returns on spending on agriculture were highest in Ghana, Uganda and the United Republic of Tanzania. In contrast, investments in roads yielded the highest growth returns in Ethiopia. The negative growth return on spending in rural education in Ghana is attributed to rural-urban migration, which tends to be dominated by better-educated and skilled farmers. Overall, investments in the agricultural sector can reduce levels of extreme poverty by boosting agricultural productivity, which often leads to higher rural household incomes and reductions in food prices. Therefore, addressing inadequate Government spending as well as low official development assistance (ODA) flows to the agricultural sector and rural development should be a top priority of Governments and the donor community.

Table 1
**Returns on public spending in Africa**

| *Sector* | *Ghana* | *Uganda* | *United Republic of Tanzania* | *Ethiopia* |
|---|---|---|---|---|
| **Returns on agriculture or rural income (local currency/local currency spending)** | | | | |
| Agriculture | 16.8 | 12.4 | 12.5 | 0.14 |
| Education | (0.2) | 7.2 | 9.0 | 0.56 |
| Health | 1.3 | 0.9 | n.e. | (0.03) |
| Roads | 8.8 | 2.7 | 9.1 | 4.22 |
| **Ranking in returns on poverty reduction** | | | | |
| Agriculture | n.e. | 1 | 2 | n.e. |
| Education | n.e. | 3 | 1 | n.e. |
| Health | n.e. | 4 | n.e. | n.e. |
| Roads | n.e. | 2 | 3 | n.e. |

*Source*: Shenggen Fan, Tewodaj Mogues and Sam Benin, "Setting priorities for public spending for agricultural and rural development in Africa", International Food Policy Research Institute policy brief No. 12, April 2009.
*Note*: n.e. indicates not estimated.

29. Many African countries have not met the growth and spending targets of the Comprehensive Africa Agriculture Development Programme, as outlined in the 2003 Maputo Declaration of the Assembly of the African Union. In this declaration, African Heads of State and Government agreed to allocate at least 10 per cent of their national budgets to agriculture. To date, only seven countries have reached this modest

[14] Economic Commission for Africa/African Union, *Economic Report on Africa 2009: Developing African Agriculture through Regional Value Chains* (Addis Ababa, ECA, 2009).

target, while a majority of Governments are averaging only about 4.5 per cent. For instance, Mali allocated 14 per cent of its budget to agriculture in 2006, and Malawi allocated 12 per cent in 2006/07.[15] Therefore, a large number of African countries still depend on ODA to fund agricultural development. This strategy is not sustainable given the unpredictability and volatility of aid flows. If African Governments are to enhance food production, reduce poverty and hunger and achieve the Comprehensive Africa Agriculture Development Programme goal of agricultural growth of at least 6 per cent annually by 2015, they must reorient their budget priorities and enhance domestic resource mobilization efforts. To date, only Ethiopia, Mali, Mozambique, Nigeria, Senegal and the Gambia have surpassed the Programme threshold of 6 per cent agricultural growth in recent years.[16]

30. In a series of country case studies on agricultural growth and investment options for poverty reduction, the International Food Policy Research Institute has shown that it is possible for countries such as Ghana, Malawi, Rwanda, Uganda and Zambia to attain the Programme target of 6 per cent annual agricultural growth by 2015.[17] To reach this target, however, these countries will require additional growth in all crops and subsectors, such as fisheries and livestock production. Reliance on a limited number of crops or on higher-value export crops will be insufficient. Rather, pursuing broad-based agricultural growth and allocating at least 10 per cent of public revenues to the agricultural sector will be important. In the long run, such investments will help spur broad-based economic growth, drive down the price of domestic food resources and improve both rural and urban incomes.

31. In an effort to support the development of sustainable agricultural systems in Africa and other low-income countries, leaders of the Group of Twenty (G-20) nations, at the conclusion of the Pittsburgh Summit, reiterated their commitment to scale up agricultural assistance to low-income countries through a multilateral trust fund. This trust fund would target programmes such as the Comprehensive Africa Agriculture Development Programme. In addition, some Governments have committed to increasing their support to African agriculture through the Programme. For instance, the United Kingdom of Great Britain and Northern Ireland has committed to increasing spending on agricultural development to £1.1 billion over the next three years as part of the Group of Eight's (G-8) $20 billion financial commitment to global food production, while the United States of America (through its initiative to end hunger in Africa) is working with the African Union, NEPAD and other donor countries to support the Comprehensive Africa Agriculture Development Programme agenda, as well to fulfil the Millennium Development Goal of cutting in half by 2015 the number of hungry people in Africa.

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[15] New Partnership for Africa's Development, "Comprehensive Africa Agriculture Development Programme 2007 annual report summary".

[16] Shenggen Fan, Tewodaj Mogues and Sam Benin, "Setting priorities for public spending for agricultural and rural development in Africa", International Food Policy Research Institute policy brief No. 12, April 2009.

[17] See International Food Policy Research Institute discussion papers 00791, 00794, 00784, 00790 and 00689.

# V. Promoting infrastructure development and regional integration

32. Owing to infrastructure deficiencies, only one in four Africans has access to electricity, 31 per cent of the African population is using an improved sanitation facility, and 58 per cent of the population has access to an improved drinking water source. An even smaller proportion has access to all-weather roads. Hence, the lack of infrastructure services across the region poses severe constraints on economic growth, trade and regional integration. Investments in roads, electricity, telecommunications, information and communications technologies and water and sanitation are also important for social development, particularly poverty eradication and food security, in both rural and urban areas. Infrastructure development does have a significant positive impact on non-farm wages and employment opportunities.

33. Despite well-known positive incidental benefits associated with sustained investments in infrastructure, however, African Governments still spend a small share of national budgets on infrastructure. Public spending on transport and communications accounted for 6.3 per cent of total national budgets on average in 1980, 3.9 per cent in 2000, and 3.7 per cent in 2005.[16] This trend can be attributed largely to the kind of structural adjustment programmes that they have pursued since the 1980s and that are aimed at reducing public debt and keeping inflation down to a very low level. Nevertheless, this policy framework did not increase private infrastructure investment as had been hoped in order to compensate for the reduction in public investment. It is this negative trend and low level of investment that NEPAD's infrastructure programme aims to reverse by underscoring that high and sustained Government budget allocations will be the main drivers of infrastructure development in Africa.

34. To address infrastructure deficiencies in the region, as well as the infrastructure gap between Africa and the rest of the world, a growing number of African countries have made considerable progress in utilizing NEPAD's infrastructure short-term action plan, as well as NEPAD's infrastructure project preparation facility, which is under the management of AfDB. The goal of this facility is to address infrastructure bottlenecks that have constituted a major handicap to the continent's improved productivity and competitiveness. To date, the Facility has mobilized close to $1.6 billion to fund NEPAD infrastructure projects in the transport and energy sectors. These include the Common Market for Eastern and Southern Africa's regional communication telecommunication project, the Nigeria-Benin-Togo-Ghana electricity interconnection project, the Eastern Africa Submarine Cable System, a Kenya-Zambia electricity connectivity project, the construction of the Kenya-Ethiopia highway and the Kenya-Uganda oil pipeline. To sustain these efforts, AfDB in 2007 approved five regional projects under NEPAD, at a total cost of $327 million. An additional $4.2 billion was also approved by the NEPAD infrastructure project preparation facility special fund. These funds will be used to finance the preparation of seven projects in the energy, transport and communications sectors.

35. By boosting infrastructure financing, projects of this nature will in the long run enhance Africa's growth prospects, deepen regional economic integration, create decent job opportunities for scores of people and therefore contribute to poverty eradication efforts. In addition, improved access to local, regional and international

markets will, in the long run, attract investment capital by lowering the cost of doing business in Africa.

36. Nevertheless, the global crisis will affect infrastructure development and regional integration efforts in Africa because of declines in foreign direct investment (FDI). The crisis has altered the demand parameters for long-term financing of NEPAD infrastructure projects, which are key to fostering regional integration in Africa. Many public-private infrastructure development projects have been either scaled down or abandoned altogether because of huge budget deficits coupled with capital flight from emerging African economies. Hence, it will be much harder to raise the $52.2 billion per year that the Millennium Development Goals Africa Steering Group estimated would be required in public and private investment to address Africa's infrastructure deficiencies. African countries trying to implement NEPAD's infrastructure short-term action plan could be affected by the crisis through two main channels. First, many Governments and their private sector counterparts face diminished prospects of accessing finance, whether in international or domestic markets, as a result of the tightening of credit markets. Even if countries or private enterprises are able to access the finance, the cost of borrowing money is now much higher, if not prohibitive. Second, the global economic crisis has lowered Government revenues and corporate profits. This in turn has curtailed the ability or propensity of public-private partnerships to finance major projects.

## VI. The global financial and economic crisis and priority areas of the New Partnership for Africa's Development

37. The region has not been spared from the effects of the slowdown in the global economy that has followed the banking crisis in advanced economies. Revenues from manufacturing, trade and tourism have plummeted in Africa's large and small economies as demand from developed countries for goods and tourism has sharply declined. Hence, there are growing concerns that the global financial and economic downturn will not only magnify lack of progress in key social sectors but will also reverse gains that had been made in some areas on a continent where many social indicators have been dismal for many years.

38. Recent projections by the Department of Economic and Social Affairs indicate that Africa's economic performance declined in 2008 and that the crisis will reduce growth in 2009 across the region by 2 to 4 percentage points. Before the crisis, economic growth in Africa had been over 5 per cent and had been projected to grow on average at a real GDP rate of 6.5 per cent. In addition, the relatively strong growth that the region had experienced in the recent past had not yet translated into productive job growth and poverty reduction on a wide scale given the rise in inequality and the narrow base of growth, concentrated mainly in the extractive primary and mineral sectors.

39. There are several channels through which the effects of the global crisis are being transmitted to African societies and are affecting their development priorities, such as those contained in NEPAD and other internationally agreed development goals, including the Millennium Development Goals.

40. Before the global financial and economic crisis, global demand for African primary commodities had reached a historic peak. This boom in commodity demand

and prices played a critical role in boosting growth in the region. As a result, many countries managed to enlarge their fiscal space and domestic revenues, some of which funded major investments in agriculture, education, health and infrastructure projects. Now, however, not only has global demand for African commodities taken a plunge, owing to severe contractions in developed economies, but commodity prices have also fallen sharply. For instance, United Nations baseline scenario estimates indicate that growth in world gross product is expected to slow to 1.0 per cent in 2009 as compared with 2.5 per cent in 2008.[18] Consequently, this projected rate of global growth will result in output growth in developing countries slowing from 5.9 per cent in 2008 to 4.6 per cent in 2009, while output in developed countries will decline by 0.5 per cent in 2009. Hence, the principal channel of transmission of the global crisis to African economies will be through weakened overall global demand for African commodities and low prices for most commodity exports. This will hamper GDP growth in many countries.

41. The second transmission channel is linked to the tightening of access to global credit facilities through increases in interest rates. For many African countries, raising the cost of borrowing money will choke off access to credit and increase the cost of servicing their external debt, which in many cases is pegged to the United States dollar. Raising the cost of credit will also limit the availability of trade finance and the flow of FDI to Africa as major investors seek safe investment havens, which are usually in advanced economies. According to the latest estimates from the United Nations Conference on Trade and Development, FDI flows to Africa reached a record high of $88 billion in 2008, after six years of uninterrupted growth.[19] A large share of this amount was directed to countries that produce natural resources and commodity-rich countries. FDI inflows in 2009 will likely fall, however, as a result of the financial and economic crisis continuing. Preliminary data shows that FDI inflows plunged by about 67 per cent in the first quarter of 2009. This drastic fall has major implications for infrastructure investments in Africa, given that FDI is a major contributor to gross fixed capital formation. It is important, however, to note that South-South FDI flows to Africa, particularly from China, India, Singapore, Malaysia and Brazil, have been on the rise and that this has helped to dampen to some extent the effects of contracting FDI flows from advanced economies.

42. Third, a significant economic slowdown of advanced economies might tempt some major donor countries to go back on the Monterrey Consensus commitment to provide 0.7 per cent of their gross national income (GNI) as aid to developing countries, as well as the commitments they made at the G-8 Summit at Gleneagles in 2005 to scale up assistance to Africa. Hence, the threat of major reductions in ODA flows to African countries will curtail the ability of Governments to spend on investments and social programmes that they perceive as important.

43. Fourth, remittances from the African diaspora will decline as many migrant workers in advanced and emerging economies are laid off. Severe reductions in remittances would have a negative impact on household consumption, children's schooling and health outcomes and the creation of small and medium-sized enterprises which contribute to job creation in many countries. The World Bank estimates that globally remittances will fall by 5 to 8 per cent in 2009 after growing

[18] *World Economic Situation and Prospects 2009* (United Nations publication, Sales No. E.09.II.C.2).

[19] *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (United Nations publication, Sales No. E.09.II.D.15).

15 to 20 per cent per year from 2005 to 2007. Such a decline will have a negative impact on the economies of migrant-sending countries, since remittances constitute a large part of GDP for many countries. In Lesotho remittances constitute about 25 per cent of GDP. In countries such as Egypt, Ethiopia, Morocco, Nigeria and Senegal, remittances account for between 5 and 10 per cent of GDP. It is estimated that in Africa a 1 percentage point increase in the ratio of remittances to GDP is associated with a 0.29 per cent decline in the number of people living in poverty.[20]

44. In terms of public expenditure on social sectors, the global crisis will likely not only squeeze the ability of African Governments to sustain the levels of investments they were able to make over the past few years but will also likely result in declines in public expenditure on social sectors as a percentage of GDP. Although it may be too early for the impact of the crisis to be reflected in spending on social sectors, a recent survey conducted by UNESCO[21] to assess the impact of the crisis on public expenditure on education shows that, overall, African countries have not yet made drastic cuts in public expenditure as a percentage of GDP over the period 2008-2009. Of the 11 African countries that participated in this global UNESCO survey, public education expenditure was likely to decline in 2009 as compared with 2008 in only three countries: Cameroon, the Congo and the Sudan. In Kenya, public education expenditure in 2009 was likely be lower than in 2007.

45. In Africa, the crisis is likely to add thousands of workers to the ranks of the working poor, as those who are losing jobs in the formal sector are trying to cope in the absence of any social protection by moving to the agricultural and informal sectors, where underemployment is widespread. The rate of working poverty in sub-Saharan Africa is projected to increase from 58.9 per cent in 2007 to as high as 67.9 per cent in 2009.[22] There are also concerns that the crisis will increase rates of vulnerable employment in the region. The International Labour Organization projects that vulnerable employment will increase from 72.9 per cent in 2008 to 77.8 per cent in 2009 in sub-Saharan Africa and from 36.8 per cent in 2008 to 42.4 per cent in 2009 in North Africa.

46. The crisis has also created extraordinary hardship among people living in poverty and other vulnerable groups. FAO estimates that 265 million people in sub-Saharan Africa will suffer from undernourishment as a result of the fallout from the global economic crisis and the food and energy crises. Between 2007 and 2008, the food and energy crises alone pushed 115 million people into chronic poverty. FAO also warns that malnutrition may contribute to nearly half a million child deaths in the region in 2009, while a recent World Bank study predicts that between 30,000 and 50,000 infants are expected to die each year as a result of the crisis, with most of the deaths occurring among those living in poverty.[23]

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[20] John Anyanwu and Andrew Erhijakpor, "Do international remittances affect poverty in Africa?", AfDB paper.

[21] United Nations Educational, Scientific and Cultural Organization, "The impact of the crisis on public expenditure on education: findings from the UNESCO quick survey", paper No. 1 in a series of papers on the impact of the global financial and economic crisis on the education sector (Paris, 2009).

[22] International Labour Organization, *Global employment trends: January 2009* (Geneva, 2009).

[23] Jed Friedman and Norbert Schady, "How many more infants are likely to die in Africa as a result of the global financial crisis?" World Bank policy research working paper No. 5023 (Washington, D. C., World Bank, 2009).

47. It is important to point out, however, that the depth and severity of the global crisis will vary among African countries given their different pre-existing vulnerabilities to external shocks of this magnitude. Hence, the capacity of each country to weather this storm depends on the production and export structure of each economy, exposure to the international financial system and whether countries had built sufficient foreign reserves to cushion the impact of the crisis. The amount of fiscal policy space to respond to the crisis through programmes such as fiscal stimulus packages is also important. The extent to which countries depend on external sources for budgetary support is equally important. For this reason, countries with strong fiscal positions, diversified economies and significant foreign currency reserves, and that do not receive large amounts of ODA to augment national budgets, are better positioned to dampen the impact of the crisis on their economies and on vulnerable populations such as women, children and the elderly.

48. For the majority of African countries left to address the global financial and economic crisis on their own, this will likely imperil prospects of meeting NEPAD goals and other internationally agreed development goals, including the Millennium Development Goals. This is largely because of resource constraints. Most African countries do not have sufficient resources to mount home-grown stimulus packages that can improve the flow of credit, boost demand or spur industrial growth (see table 2). Hence, lack of adequate capacity for countercyclical spending does not give Africa's already fragile industries any leverage that allows them to compete on a level playing field against competitors from advanced countries that have benefited from economic stimulus packages.

Table 2
**Fiscal stimulus to address the global financial and economic crisis**

| | *Share of gross domestic product (percentage)* | *Fiscal stimulus (billions of United States dollars)* |
|---|---|---|
| Egypt | 1.7 | 2.7 |
| Kenya | 1.0 | 0.3 |
| Nigeria | 0.8 | 1.6 |
| South Africa | 4.0 | 9.9 |
| United Republic of Tanzania | 6.9 | 1.3 |

*Sources*: Yanchun Zhang, Nina Thelen and Aparna Rao, "Social protection in fiscal stimulus packages: some evidence", United Nations Development Programme/Office of Development Studies working paper (New York, UNDP, 2009).

# VII. Climate change and the social development priorities and goals of the New Partnership for Africa's Development

49. Under the African Union/NEPAD environment initiative, there is clear recognition of the need to address Africa's environmental challenges within the context of sustainable development and poverty eradication. This concern is also in line with the Sirte Declaration on the Challenges of Implementing Integrated and Sustainable Development on Agriculture and Water in Africa, adopted by the Assembly of the African Union in 2004, the Copenhagen Declaration on Social Development and the Millennium Development Goals. In addition, however, to the

negative impacts of the global financial and economic crisis and the food and energy crises, the problems of climate change are also undermining the implementation of the African Union/NEPAD environment initiative.

50. As recently noted by the summit on climate change convened by the Secretary-General in September 2009 and by the Africa Partnership Forum special session on climate change hosted by ECA in September 2009, climate change is already having a major impact on the ability of Africa to feed its people, protect them from the vagaries of nature, grow its economies and conserve its environment.

51. Although African countries contribute the least to climate change and sea-level rise, the continent is one of the major areas projected to bear the brunt of the impact, particularly in the form of threats of desertification, droughts, floods, diminished fresh water resources and other extreme weather phenomena. The Intergovernmental Panel on Climate Change predicted that by 2020 between 75 and 250 million people in Africa would be exposed to heightened water stress and that, in some countries, crop yields from rain-fed agriculture could fall by up to 50 per cent as a result of climate change.[24] The report of the Intergovernmental Panel further predicted that low-lying coastal areas would be affected by sea-level rise towards the end of the twenty-first century, while the amount of arid and semi-arid land would increase by 5 to 8 per cent by 2080. Climate change may also result in an expansion of vector-borne disease transmission zones and declines in fisheries. Such potential developments pose an existential threat to the region.

52. Impacts of climate change across the region will likely compound the existing vulnerabilities of people living in poverty, such as extreme poverty and hunger. Other consequences include growing numbers of climate refugees, social disintegration as a result of social and political instability and conflicts over land-based resources, and new health threats that emerge as a result of the changing frequency and intensity of extreme weather events such as floods and droughts. As recent events have shown, many countries in East and West Africa have been devastated by droughts and floods. The Office for the Coordination of Humanitarian Affairs estimates that in 2008 close to 697,000 people were evacuated as a result of sudden-onset disasters in the region.

53. Africa should be given a chance to grow its economy without harming the environment. Investing in renewable energy and clean energy technologies will not only help Africa address the challenge of climate change but will also give it the opportunity to create new jobs and industries. Yet Africa cannot meet the climate challenge and its impact on human well-being alone. For Africa to leapfrog dirty energy solutions, strengthen its adaptive capacity and pursue sustainable low-carbon growth strategies, it will need financial assistance and technology transfers. The region will need not only additional funding but also timely and predictable delivery on existing ODA commitments.

54. To reverse key environmental changes that directly affect the livelihoods of people, African Governments have partnered with the European Union, United Nations Environment Programme, AfDB, regional economic communities and local

[24] Intergovernmental Panel on Climate Change, *Climate Change 2007: Impacts, Adaptation and Vulnerability, Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change*, M. L. Parry and others, eds. (Cambridge, United Kingdom, and New York, Cambridge University Press, 2007).

communities to implement projects such as the "Congo basin convergence plan on forests" and the African Union/NEPAD "Green wall for the Sahara" initiative.[25] The objective of these initiatives is to contribute to sustainable and improved management of forest resources and protected areas and to build a "green wall" of trees across the Sahara to push back desertification and to improve agriculture and the livelihoods of people living in the Sahara and Sahel zones of Africa. These massive conservation and afforestation projects will not only create a buffer that will protect vulnerable populations from the effects of climate change but will also create jobs and therefore help countries achieve the Millennium Development Goals. The initial two-year phase of the "Green wall" initiative was formally approved by the Community of Sahel-Saharan States in Benin in 2008 and will result in the planting of a belt of trees that is 7,000 km long and 15 km wide at a cost of $3 million.

## VIII. Building alliances to enhance the social dimensions of the New Partnership for Africa's Development

55. To strengthen the social dimensions of NEPAD requires that the capacity and resources to implement its various multisectoral projects exist. Enhanced partnerships and coordination among donor Governments, the private sector, civil society and philanthropic organizations on agreed NEPAD priorities will help infuse the continent with direct investment, ODA and necessary technology transfers. Left alone, African Governments do not have the requisite financial and human resources to successfully implement all NEPAD priority areas. Therefore, there is a need for stronger, more effective and better-supported partnerships for Africa's development. Developed countries will need to fulfil their aid commitments and take concrete actions to reach the ODA target of 0.7 per cent of GNI. There is also need to address the conditionality, unpredictability and earmarking of ODA, which remain as key challenges to ensuring aid effectiveness.

56. To date, a growing number of African countries have worked closely with major development agencies to align agricultural strategies and investment mechanisms. These efforts have, for example, resulted in the alignment of the World Bank's African agriculture strategy with the pillars of the Comprehensive Africa Agriculture Development Programme. There has also been a renewed emphasis on supporting African agriculture by countries such as Sweden, the United Kingdom and the United States. To ensure success, however, such partnerships should aim to foster national ownership of country programmes.

57. To support development projects that address gender concerns in Africa, such as the gender dimension of poverty, and HIV/AIDS, the Government of Spain and NEPAD signed a five-year agreement worth €50 million for the implementation of the NEPAD Spanish Fund for African Women Empowerment. This Fund, which became functional in May 2008, provides grants to projects in Africa. To date, the Fund has disbursed €6.2 million to 46 projects in 23 countries.

58. Partnerships are also playing a critical role in deepening regional integration in Africa through improvements in infrastructure. For instance, the NEPAD infrastructure plan is supported by AfDB, the World Bank (through the Africa action

[25] The initiative will be implemented in the countries of the Sahara and Sahel zones of Africa.

plan), the European Union-Africa Partnership on Infrastructure and the G-8 Infrastructure Consortium for Africa. AfDB, which houses the Infrastructure Consortium for Africa, has devoted 60 per cent of its $8.9 billion soft loan resources for 2008-2010 to building and rehabilitating infrastructure projects across the continent. The European Union has also come up with a new strategy for the region that aims to facilitate interconnectivity at the continental level by addressing missing links in existing networks and harmonizing transport policies across the continent. Major international donor agencies such as the Swedish International Development Cooperation Agency and the United Kingdom Department for International Development are also actively working to improve road safety and trade facilitation along regional transport corridors.

59. In the health sector, partnerships continue to play a critical role in addressing significant financing gaps. For instance, the United States recently announced a six-year, $63 billion global health initiative as its contribution to the fight against AIDS, tuberculosis and malaria. The European Union also continues to be the largest health donor to Africa and is committed to channelling to Africa at least 50 per cent of its overall collective ODA target of 0.56 per cent of GNI by 2010 and 0.7 per cent of GNI by 2015. Japan is also assisting countries such as Eritrea, the Gambia, Rwanda, Sao Tome and Principe and Zambia to reduce morbidity and mortality through the Roll Back Malaria initiative.

60. In the area of education, 22 African countries have joined the Education for All-Fast Track Initiative, which was started in 2002 as a global compact between low-income countries and donor nations to help poor countries achieve the education Millennium Development Goals. Hence, the commitment made by the 2009 G-8 Summit leaders in L'Aquila, Italy, to support education initiatives is highly commendable. Furthermore, the African Union's social policy framework for Africa calls for the strengthening of partnerships with donor countries, civil society organizations, the private sector and philanthropic organizations.

61. Within the framework of South-South cooperation, significant investments are being made in Africa in accordance with the development priorities of the continent. Countries such as China, India and Singapore have scaled up investments in infrastructure development, information and communications technologies, agriculture, gender mainstreaming, capacity-building, technical cooperation, public health and environmental protection. Major efforts have also been made to boost trade relations between Africa and emerging economies as well as with other developing countries. These efforts have, for instance, seen India's trade with Africa reach $36 billion in 2008-2009 and Africa's trade with China reach a record of $107 billion in 2008.

# IX. Conclusions and recommendations

62. Owing to the global crises, gains in well-being that had been made as a result of improved economic performance are likely to be lost, undoing advances made over the past decade. For Africa, adverse social consequences are likely to remain for much longer, even after the recovery gathers pace in advanced economies. The lack of public social safety nets to offset the negative impact of a global recession on individuals and families will likely compound the situation, with the working poor and other vulnerable groups bearing the brunt of the global crises. Therefore, it

is more likely that African countries will be the last to come out of these global crises and might find themselves in a worse-off position after the global recovery as compared with the conditions they enjoyed before them. Consequently, African economies will likely experience decelerated growth, high unemployment and poverty rates and diminished prospects for achieving NEPAD goals and other internationally agreed development goals, including the Millennium Development Goals.

63. **For African countries to ensure that they bear the most responsibility for their own development, they should continue to integrate and mainstream NEPAD priorities into national development plans. They should also continue to strengthen efforts aimed at enhancing human capabilities and institutional capacity for effective and efficient programme conceptualization, planning, implementation, monitoring and evaluation. These efforts should be enhanced through sharing of North-South and South-South regional experiences and best practices.**

64. **To effectively manage the process of development as envisioned by NEPAD, African countries need to strengthen institutions that address a broad set of policies or tasks and not focus on strengthening highly restrained, market-oriented institutions. Less restrained public institutions will help countries configure the policies that will work best under their respective national conditions. The role of the State is key in this regard, as underscored by the current global financial and economic crisis.**

65. **Africa's development partners should continue to integrate NEPAD priorities, values and principles into their development assistance programmes.**

66. **African countries and their development partners should place people at the centre of Government development action and secure core investment spending in health, education and social safety nets, such as school feeding programmes, in order to limit the threats of the global slowdown on key social sectors.**

67. **Proven initiatives in education, health, gender, sustainable agriculture, energy and infrastructure, such as the Education for All-Fast Track Initiative, should be scaled up and fully funded.**

68. **The international community should assist African countries in addressing the challenge of climate change by raising the resources needed to support adaptation and mitigation action.**